

Press release

19 March 2026

Monetary policy decisions

The Governing Council today decided to keep the three key ECB interest rates unchanged. It is determined to ensure that inflation stabilises at the 2% target in the medium term. The war in the Middle East has made the outlook significantly more uncertain, creating upside risks for inflation and downside risks for economic growth. It will have a material impact on near-term inflation through higher energy prices. Its medium-term implications will depend both on the intensity and duration of the conflict and on how energy prices affect consumer prices and the economy.

The Governing Council is well positioned to navigate this uncertainty. Inflation has been at around the 2% target, longer-term inflation expectations are well anchored, and the economy has shown resilience over recent quarters. The incoming information in the period ahead will help the Governing Council assess how the war will affect the inflation outlook and the risks surrounding it. The Governing Council is closely monitoring the situation, and its data-dependent approach will help it set monetary policy as appropriate.

The new ECB staff projections exceptionally incorporate information up to 11 March, a later cut-off date than usual. In the baseline, headline inflation is seen to average 2.6% in 2026, 2.0% in 2027 and 2.1% in 2028. Inflation has been revised up compared with the December projections, especially for 2026. This is because energy prices will be higher owing to the war in the Middle East. For inflation excluding energy and food, staff project an average of 2.3% in 2026, 2.2% in 2027 and 2.1% in 2028. This is also higher than the path in the December projections, mainly owing to higher energy prices feeding into inflation excluding energy and food. Staff expect economic growth to average 0.9% in 2026, 1.3% in 2027 and 1.4% in 2028. This implies a downward revision, especially for 2026, reflecting the global effects of the war on commodity markets, real incomes and confidence. At the same time, low unemployment, solid private sector balance sheets, and public spending on defence and infrastructure should continue to underpin growth.

In line with the Governing Council's monetary policy strategy commitment to incorporate risks and uncertainty into its decision-making, staff also assessed how the war in the Middle East could affect economic growth and inflation under some alternative illustrative scenarios. These scenarios will be published with the staff projections on the ECB's website. The scenario analysis suggests that a prolonged disruption in the supply of oil and gas would result in inflation being above, and growth being below, the baseline projections. The implications for medium-term inflation depend crucially on the magnitude of indirect and second-round effects of a stronger and more persistent energy shock.

The Governing Council will follow a data-dependent and meeting-by-meeting approach to determining the appropriate monetary policy stance. In particular, its interest rate decisions will be based on its assessment of the inflation outlook and the risks surrounding it, in light of the incoming economic and financial data, as well as the dynamics of underlying inflation and the strength of monetary policy transmission. The Governing Council is not pre-committing to a particular rate path.

Key ECB interest rates

The interest rates on the deposit facility, the main refinancing operations and the marginal lending facility will remain unchanged at 2.00%, 2.15% and 2.40% respectively.

Asset purchase programme (APP) and pandemic emergency purchase programme (PEPP)

The APP and PEPP portfolios are declining at a measured and predictable pace, as the Eurosystem no longer reinvests the principal payments from maturing securities.

The Governing Council stands ready to adjust all of its instruments within its mandate to ensure that inflation stabilises at its 2% target in the medium term and to preserve the smooth functioning of monetary policy transmission. Moreover, the Transmission Protection Instrument is available to counter unwarranted, disorderly market dynamics that pose a serious threat to the transmission of monetary policy across all euro area countries, thus allowing the Governing Council to more effectively deliver on its price stability mandate.

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The President of the ECB will comment on the considerations underlying these decisions at a press conference starting at 14:45 CET today.